



0000152370

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

COMMISSIONERS

BOB STUMP - CHAIRMAN
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

2014 APR 10 A 9:40

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

APR 10 2014

DOCKETED BY

ORIGINAL

IN THE MATTER OF THE APPLICATION OF
TUSAYAN WATER DEVELOPMENT
ASSOCIATION, INC. FOR ESTABLISHMENT
OF RATES FOR WATER SERVICE.

DOCKET NO. W-02350A-10-0163

IN THE MATTER OF THE APPLICATION OF
ANASAZI WATER CO., LLC FOR
ADJUDICATION "NOT A PUBLIC SERVICE
CORPORATION."

DOCKET NO. W-20765A-10-0432

IN THE MATTER OF THE APPLICATION OF
HYDRO-RESOURCES, INC. FOR
ADJUDICATION "NOT A PUBLIC SERVICE
CORPORATION."

DOCKET NO. W-20770A-10-0473

IN THE MATTER OF THE APPLICATION OF
TUSAYAN WATER DEVELOPMENT
ASSOCIATION, INC. FOR CANCELLATION
OF CERTIFICATE OF CONVENIENCE AND
NECESSITY.

DOCKET NO. W-02350A-13-0312

IN THE MATTER OF THE APPLICATION OF
HYDRO-RESOURCES, INC. FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE WATER SERVICE.

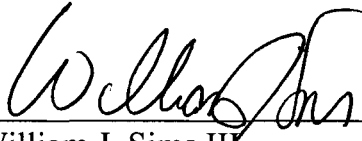
DOCKET NO. W-20770A-13-0313

TOWN OF TUSAYAN'S NOTICE OF FILING DIRECT TESTIMONY

The Town of Tusayan ("Town") through its counsel hereby files the direct testimony in support of the Settlement Agreement of Vice Mayor Al Montoya in the above-referenced matter.

1 RESPECTFULLY SUBMITTED this 10th day of April, 2014.

2
3 SIMS MURRAY, LTD.

4 

5 William J. Sims III

6 Attorneys for the Town of Tusayan

7
8 Original and 13 copies of foregoing filed
9 this 10th day of April, 2014, with:

10 Docket Control Division
11 ARIZONA CORPORATION COMMISSION
12 1200 W. Washington
13 Phoenix AZ 85007

14 Copies of the foregoing mailed this
15 10th day of April, 2014, to:

16 Janice Alward, Chief Counsel
17 Legal Division
18 ARIZONA CORPORATION COMMISSION
19 1200 West Washington
Phoenix AZ 85007

20 Steven M. Olea, Director
21 Utilities Division
22 ARIZONA CORPORATION COMMISSION
23 1200 West Washington
Phoenix AZ 85007

24 Russell A. Kolsrud
25 Ryan J. Lorenz
26 CLARK HILL PLC
27 14850 N. Scottsdale Road, Suite 500
28 Scottsdale AZ 85254
Attorneys for Tusayan Water Development Association, Inc.

1 Paul L. Brinkman
2 SHORALL MCGOLDRICK BRINKMAN
3 702 North Beaver
4 Flagstaff AZ 85001
Attorneys for Anasazi Water Co., LLC

5 Garry D. Hays
6 THE LAW OFFICES OF GARRY D. HAYS, P.C.
7 1702 E. Highland Avenue, Suite 204
8 Phoenix AZ 85016
Attorneys for Tusayan Ventures LLC

9 Steven A. Hirsch
10 Rodney W. Ott
11 BRYAN CAVE LLP
12 Two North Central Avenue, Suite 2200
Phoenix AZ 85004-4406
Attorneys for Hydro-Resources, Inc.

13 Michael W. Patten
14 Timothy J. Sabo
15 ROSHKA, DEWULF & PATTEN, PLC
16 One Arizona Center
17 400 E. Van Buren Street, Suite 800
Phoenix AZ 85004
Attorneys for Squire Motor Inns, Incorporated

18 Will Wright
19 Town Manager
20 Town of Tusayan
21 PO Box 709
Tusayan AZ 86023

22 
23 _____
24
25
26
27
28

TOWN OF TUSAYAN
TESTIMONY OF
AL MONTOYA, VICE MAYOR

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	SETTLEMENT PROCESS	1
III.	TERMS OF THE SETTLEMENT AGREEMENT	2
IV.	PUBLIC INTEREST	3

1 **I. INTRODUCTION**

2
3 **Q: PLEASE STATE YOUR NAME AND TITLE.**

4 A: My name is Al Montoya. I am the Vice Mayor of the Town of Tusayan.

5
6 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A: The purpose of my testimony is to support the proposed Settlement Agreement
8 establishing a process whereby Hydro-Resources, Inc. ("**Hydro**") will become the
9 sole provider of water utility service in the Town of Tusayan and to support
10 Hydro's CC&N application.
11

12 **II. SETTLEMENT PROCESS**

13 **Q: PLEASE PROVIDE A SUMMARY OF THE PROCEEDINGS LEADING TO**
14 **THE SETTLEMENT.**

15
16 A: Following incorporation of the Town of Tusayan in 2010, one of the first actions
17 that the Town Council took in order to address disparate and untariffed rates in the
18 Town of Tusayan was to consider options for establishing a Town of Tusayan
19 water department. The Town of Tusayan authorized the preparation of a Tusayan
20 Municipal Water Study, dated July 26, 2011 (the "**Town Water Study**"). That
21 study acknowledged that multiple parties owned various components of the water
22 system serving the Town of Tusayan. At that time, the Town became aware that
23 the Tusayan Water Development Association ("**TWDA**") had filed a rate
24 application ("**Rate Case**"), followed by filings by Anasazi Water Co., LLC
25 ("**Anasazi**") and Hydro of Applications for Adjudications "Not a Public Service
26 Corporation," (collectively, the "**Anasazi and Hydro Dockets**"). The Town
27 intervened in the consolidated Rate Case and Anasazi and Hydro Dockets, made
28 the Town Water Study available to the parties, and entered into negotiations with

the parties in connection with the Settlement Agreement.

Q: PLEASE DESCRIBE THE SETTLEMENT NEGOTIATIONS.

A: The settlement negotiations were open and included all parties, with the parties participating fully to reach consensus. One intervenor, Tusayan Ventures, LLC (“**Tusayan Ventures**”) declined to execute the Settlement Agreement for reasons unknown to the Town. The Town of Tusayan’s objective was to identify one water utility service provider that would be subject to regulation by the Arizona Corporation Commission (“**Commission**”).

Q: WHAT WAS THE OUTCOME OF THE NEGOTIATIONS?

A: The parties (other than Tusayan Ventures) reached agreement on terms that allowed the transfer of necessary assets to Hydro and a resolution of the Rate Case that promotes the best interests of the residents of the Town of Tusayan.

III. TERMS OF THE SETTLEMENT AGREEMENT

Q: WHAT ARE THE SIGNIFICANT TERMS OF THE SETTLEMENT AGREEMENT?

A: The following are the significant terms of the Settlement Agreement:

1. Provides for the transfer of assets to Hydro in order to allow Hydro to provide water service in the certificated area. Assets include the physical plant and property, water distribution lines and meters, as well as easements and rights-of-way previously used by Anasazi.
2. Establishes a process whereby TWDA will apply for the deletion/cancellation of its CC&N (the “**Tusayan Cancellation Docket**”) filed under Docket #W-02350A-13-0312 and Hydro will file an application for a new CC&N for the certificated area (the “**Hydro CC&N Docket**”) filed under Docket #W-20770A-13-0313 in order to provide service to

1 TWDA's existing customers except for property owned by Red Feather
2 Properties Limited Partnership known as the "RFP Campus."

- 3 3. Requires Hydro and intervener Squire Motor Inns, Inc ("Squire") to enter
4 into a contract to supply water from Squire to Hydro.
- 5 4. Requires TWDA to continue to provide service until the Commission
6 renders a decision in the Hydro CC&N Docket and the Tusayan
7 Cancellation Docket.
- 8 5. Provides that until the Commission grants a new CC&N to Hydro, TWDA
9 must continue to charge its current rates unless the rates are revised by
10 agreement of the parties to the Settlement Agreement and approved by the
11 Commission.
- 12 6. Provides that after the transfer of Anasazi's assets to Hydro, Hydro will
13 supply water to TWDA at Hydro's rates so that TWDA may serve certain
14 properties east of Route 64 at Hydro's rates.

15 **IV. PUBLIC INTEREST**

16
17 **Q: PLEASE EXPLAIN WHY THE COMMISSION'S APPROVAL OF THE**
18 **SETTLEMENT AGREEMENT RESULTS IN RATES, CHARGES AND**
19 **CONDITIONS OF SERVICE THAT ARE JUST AND REASONABLE AND**
20 **IN THE PUBLIC INTEREST.**

21 **A:** As the elected Vice Mayor of the Town of Tusayan, I am not in a position to render
22 an opinion regarding the rates that the Commission will establish. I am, however,
23 in a position to comment on the beneficial impact that the negotiations leading to
24 the Settlement Agreement and the process required by the Settlement Agreement
25 will have on the residents of the Town of Tusayan. For over thirty years, disparate
26 rates have been charged to water customers in the area that has now become
27 incorporated as the Town of Tusayan. Upon the Commission's review and
28 approval of the Tusayan Cancellation Docket and the Hydro CC&N Docket, rates

1 approved by the Commission will be charged to customers in the certificated area,
2 establishing consistent rates that are fair and reasonable as determined by the
3 Commission.

4 **Q: DOES THIS CONCLUDE YOUR TESTIMONY IN SUPPORT OF THE**
5 **SETTLEMENT AGREEMENT?**

6
7 A: Yes.
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28